FISCAL NOTE

Bill #:	HB0292	**Title:**	Allocate oil and gas revenue to county schools based on enrollment
Primary Sponsor:	Small-Eastman, V	**Status:**	As Introduced

Sponsor signature Date David Ewer, Budget Director Date

Fiscal Summary

	FY 2006 **Difference**	FY 2007 **Difference**
Expenditures:		
General Fund	$978,786	$1,009,830
Revenue:		
General Fund	$0	$0
Net Impact on General Fund Balance:	($978,786)	($1,009,830)

☒ Significant Local Gov. Impact
☐ Included in the Executive Budget
☐ Dedicated Revenue Form Attached
☒ Technical Concerns
☐ Significant Long-Term Impacts
☒ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. For FY 2004, 127 school districts reported the receipt of $16.94 million in Montana oil and gas production taxes. Of the $16.94 million, $11.97 million was distributed to the school district general fund.
2. As written, HB 292 deletes existing subsection 15-36-332(5), which describes how oil and gas production taxes received by a school district are allocated to the funds within the district. As such, there are no restrictions on which funds receive the revenue. This fiscal note assumes all school districts eliminated the allocation of all oil and gas revenue to the district general fund.
3. HB 292 would have no fiscal impact to the state for debt service facilities reimbursement payment 20-9-371, MCA. However, HB 292 would have a small impact on facilities reimbursement distribution among eligible districts because HB 292 would change impacted schools' eligibility creating a redistribution of the school facilities reimbursement allocation.
4. Under current statute, guaranteed tax base aid to schools will be $102.15 million in FY 2006 and $100.40 million in FY 2007. HB 292 would increase FY 2006 GTB to $101.41 million and FY 2007 GTB would increase to $107.96.
5. HB 292 would have no effect on Special Education or Direct State Aid distributions.

FISCAL IMPACT:

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
Local Assistance	$978,786	$1,009,830
Funding of Expenditures:		
General Fund (01)	$978,786	$1,009,830
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):		
General Fund (01)	($978,786)	($1,009,830)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
HB 292 would increase general fund mills in those districts where oil and gas revenues have previously been distributed to the general fund. This increase in general fund mills may be offset with reductions in other local mills.

HB 292 would generally increase mills in those districts where oil and gas revenues are reduced from the change distribution contained in the bill. Districts receiving the redistributed oil and gas revenues may reduce local mills or increase expenditures as a result of additional revenue.

TECHNICAL NOTE:
As written, HB 292 deletes existing subsection 15-36-332(5), which describes how oil and gas production taxes received by a school district are allocated to the funds within the district. As such, there are no restrictions on which funds receive the revenue. The result of the removal of this provision is that districts would have no incentive to deposit any of the oil and gas revenue in the general fund as it would decrease state GTB aid received by the district. This removal of this provision is the reason the bill has a $1 million per year cost. If subsection (5) were re-instated, the impact of this bill would be to reduce state general fund GTB expenditures by $57,457 in FY2006 and by $57,457 in FY2007 and have a positive impact to fund state general fund balance.